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| **TEXAS CTE LESSON PLAN**  [www.txcte.org](http://www.txcte.org) | |
| **Lesson Identification and TEKS Addressed** | |
| **Career Cluster** | Marketing |
| **Course Name** | Practicum in Marketing |
| **Lesson/Unit Title** | Pricing |
| **TEKS Student Expectations** | **§130.387. (c) Knowledge and Skills**  (19)The student knows the concept of pricing and strategies used in determining and adjusting price.  (A) The student is expected to state goals of pricing  (B) The student is expected to identify factors affecting pricing  (C) The student is expected to explain how pricing affects product, place, and promotion decisions  (D) The student is expected to compare and contrast pricing policies  (F) The student is expected to describe the role of business ethics in pricing  (G) The student is expected to analyze legal considerations for pricing |
| **Basic Direct Teach Lesson**  (Includes Special Education Modifications/Accommodations and  one English Language Proficiency Standards (ELPS) Strategy) | |
| **Instructional Objectives** | Students will be able to:   1. Understand the goals of pricing. 2. Identify the factors affecting pricing. 3. Explain how pricing affects product, place and promotion decisions. 4. Explain the use of technology in the pricing function. 5. Describe the role of business ethics in pricing. |
| **Rationale** | After completing this lesson, students will be able to explain the concept of pricing and the strategies used in determining and adjusting prices. They will also be able to explain how pricing affects the marketing mix, and the role that ethics and technology play in pricing. |
| **Duration of Lesson** | 2 to 3 days |
| **Word Wall/Key Vocabulary**  *(ELPS c1a,c,f; c2b; c3a,b,d; c4c; c5b) PDAS II(5)* | * Price – the value of money place on a good or service * Market share – the percentage of sales for the product compared with the competition * Return on investment – a performance measure designed to evaluate the efficiency of an investment * Break-even point – the point at which sales revenue equals the cost and expenses of making the product * Demand elasticity – the degree to which a product is affected by price * Elastic demand – when a change in price creates a change in demand * Inelastic demand – when a change in price has very little effect on demand * Price fixing – when companies get together and agree on a certain price for products or services * Price discrimination – when a business charges different prices to similar customers in similar situations * Loss leader – a highly popular, well-advertised product such as diapers or milk that a store sells below cost to entice customers to the store * Unit pricing - requires retailers to provide consumers with a standard unit price |
| **Materials/Specialized Equipment Needed** | **Instructional Aids**   * Display for digital presentation * Websites for assignments and class discussion * Textbook * Web Resources |
| **Anticipatory Set**  (May include pre-assessment for prior knowledge) | **Learner Introduction**  Pricing is an integral part of marketing. Consumers decide which products to purchase based on the price, whether it is a low price decision or a perceived luxury item based on a high price. Successful businesses know exactly how much it costs to produce, and market their products so they can price them to make money and not lose money. They also understand who their target market is, and how price sensitive they may be. There are also legal considerations that must be taken into account to ensure that the business is following government regulations regarding pricing.  **Learner Guidance**  **SHOW:** Show students an advertisement for a grocery store.  **ASK**: Ask students if they think a rise in prices affects grocery stores?  **SAY:** Explain that grocery stores are very price competitive. A grocery store may sell staple items such as milkat a lost just to get customers into their stores.  **ASK:** Ask students if they would continue to purchase gasoline even if the price was over $5 per gallon?  **SAY:** Explain that gasoline is a necessity and most people are forced to continue to purchase gasoline even if itbecomes very expensive.  **ASK:** Ask students if would expect to purchase a diamond ring for under $50?  **SAY:** Explain that price also affects how people feel about the products. For instance, customers would notfeel that they were getting a quality diamond if they paid very little for it. The more expensive the better perceived quality of the diamond.  **ASK:** Ask students where they prefer to shop for clothes? Do they care more about the price or thestyle?  **SAY:** Explain that consumers are driven by different factors. The goals of all businesses are to make money,and it is only by effectively using price that businesses are able to meet that goal. |
| **Direct Instruction \*** | I. Price is the value of money placed on a good or service  A. The key to setting price is to understand the value that a customer would place on the item.  II. Gaining Market Share  A. Increase the firm’s percentage of total sales in a given market.  B. Return on Investment  1. A company may price their products to have a certain percentage of return on investment.  C. Goal of Pricing  1. Meeting the Competition  2. Some companies just want to be priced similarly to their competitors.  III. Costs and expenses  A. Businesses must continually monitor their costs and expenses when producing a product to ensure they are making a profit.  B. Rising costs and expenses  1. Increase the price of the product  2. Reduce the size of the product instead of increasing the price.  3. Drop features that customers don’t value and maintain the same price.  4. Improve products by adding features or upgrades and charging more for product.  C. Decreasing costs and expenses  1. Increases in efficiency  2. Decreases in costs  D. Break-even Point  1. Sales revenue  2. Minimum Quantity  3. Create Profit  E. Demand  1. Demand Elasticity  2. Inelastic demand  IV. Drivers of Supply and Demand  A. Customer perception  B. Exclusivity  C. Customer service  V. Price  A. Target Market  1. Price Sensitivity  2. Non-Price Incentives  VI. Government Regulations  A. Federal and state laws  1. Price fixing  2. Price discrimination  a. Robinson-Patman Act  i. Physically different  ii. Non-competing buyers  iii. Production Costs  iv. Competition Lowers Bids  3. Resale Price Maintenance  4. Minimum Price Laws  a. Loss Leader  5. Unit Pricing  6. Price Advertising  The value that a customer places on a product can make a difference on how much they are willing to pay for a product. If a customer sees the product has better value or more features they are willing to spend more. But customers have to see the value. Conversely if the asking price of a product is higher than customer’s expectations and they don’t see the value then they will not be willing to purchase the product. Thinks of a hamburger sold at a fast food restaurant, customers are willing to pay $3-$4 for the burger, while a burger sold at a nice restaurant might cost $8-$10. Because of the presentation, atmosphere and ambiance, customers are willing to pay more the burger  In order to be successful, businesses must know how much it costs them to produce, market, sell and pay any other expenses associated with their products. If businesses do not understand what their expenses are, they risk not pricing the product high enough and losing money. Companies that don’t know, or understand their expenses will not be in business for long.  Technology has allowed many companies to increase profits by utilizing technological improvements to streamline production. Having robotics build products is one example, but it can also be as simple as allowing customers to place orders online instead of calling someone that increases profits.  Different products have different characteristics when it comes to supply and demand. For instance, everyone needs gas for their cars and is willing to pay more for it because they have to have it more than candy bars.  For some products, customers expect to pay a high price. If these products were offered at a low price, customers would not purchase it thinking it was low quality. Jewelry is one example, if diamonds are sold for low prices, customers would perceive them to be low quality. Limited editions are also priced at higher prices because they are only available in limited quantities.  *Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*  NONE |
| **Guided Practice \*** | Using the internet, have students compare prices between several different online merchants with comparable products. Have them compare and contrast the prices between the merchants. Does one have higher prices? Lead a discussion on who their target customer might be and why they have different prices than their competitors. Have the students also research the differences in customer service and if that plays a role in the price differences.  *Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*  NONE |
| **Independent Practice/Laboratory Experience/Differentiated Activities \*** | Students will complete the Pricing Crossword individually and turn in to the teacher. The crossword puzzle contains all of the vocabulary words for this lesson.  *Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*  NONE |
| **Lesson Closure** | Have students complete the crossword puzzle individually and record their scores. |
| **Summative/End of Lesson Assessment \*** | **Informal Assessment**  Instructor should observe the work ethic of individuals involved in class discussions and the independent practice activity  **Formal Assessment**  The crossword will be graded by the Pricing Crossword Solutions included with this lesson.  *Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*  NONE |
| **References/**  **Resources/**  **Teacher Preparation** | * Teacher will review the terms in the outline, and handouts to become familiar with lesson. * Teacher should locate and evaluate various resources and websites before the lesson. * Teacher will have assignments and website information ready to distribute to students. |
| **Additional Required Components** | |
| **English Language Proficiency Standards (ELPS) Strategies** |  |
| **College and Career Readiness Connection[[1]](#footnote-1)** |  |
| **Recommended Strategies** | |
| **Reading Strategies** |  |
| **Quotes** |  |
| **Multimedia/Visual Strategy**  **Presentation Slides + One Additional Technology Connection** |  |
| **Graphic Organizers/Handout** |  |
| **Writing Strategies**  **Journal Entries + 1 Additional Writing Strategy** |  |
| **Communication**  **90 Second Speech Topics** |  |
| **Other Essential Lesson Components** | |
| **Enrichment Activity**  (e.g., homework assignment) | Students are to research five different products such as gasoline, groceries, shoes, furniture, appliances, etc. Students are to determine if the prices for those products went up or down over the last ten years. They are then to create a digital presentation that details the product, the trend in pricing, what type of supply and demand that product falls into and reasons why the prices for the product have gone up or down. The presentation is to be graded using the following rubric. |
| **Family/Community Connection** |  |
| **CTSO connection(s)** | DECA |
| **Service Learning Projects** |  |
| **Lesson Notes** |  |

1. Visit the Texas College and Career Readiness Standards at <http://www.thecb.state.tx.us/collegereadiness/CRS.pdf>, Texas Higher Education Coordinating Board (THECB), 2009. [↑](#footnote-ref-1)